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Audit

Report

OFFICE OF THE INSPECTOR GENERAL

**DEFENSE BASE REALIGNMENT AND CLOSURE
BUDGET DATA FOR THE RELOCATION OF THE FLEET
HOSPITAL SUPPORT OFFICE TO CHEATHAM ANNEX,
WILLIAMSBURG, VIRGINIA**

Report No. 97-162

June 16, 1997

Department of Defense

AFQ100-01-0216

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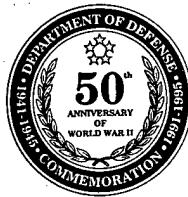
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Acronyms

BRAC	Base Realignment and Closure
FHSO	Fleet Hospital Support Office
MILCON	Military Construction



**INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-2884**



Report No. 97-162

June 16, 1997

**MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)
ASSISTANT SECRETARY OF THE NAVY (FINANCIAL
MANAGEMENT AND COMPTROLLER)**

SUBJECT: Audit Report on Defense Base Realignment and Closure Budget Data for the Relocation of the Fleet Hospital Support Office to Cheatham Annex, Williamsburg, Virginia (Project No. 7CG-5002.09)

Introduction

We are providing this report for information and use. This audit was required by Public Law 102-190, "National Defense Authorization Act of Fiscal Years 1992 and 1993," December 5, 1991. Enclosure 1 provides details on the history of the Defense base realignment and closure (BRAC) process and on our auditing and reporting requirements.

This report is one in a series of reports about FY 1998 BRAC military construction (MILCON) costs. The report provides the results of the audit of projects P-028, "Warehouse Renovation," and P-029, "Cargo Staging Area," at the Fleet and Industrial Supply Center, Cheatham Annex, Williamsburg, Virginia, as a result of the closure of Fleet and Industrial Supply Center, Oakland and Navy Supply Annex, Alameda, California.

Audit Results

The Fleet Hospital Support Office (FHSO) properly planned, programmed, and documented the FY 1998 BRAC MILCON requirement of \$3.9 million for the renovation of warehouse CAD-30 and for the construction of a cargo staging area in accordance with Navy criteria.

Audit Objectives

The overall audit objective was to determine the accuracy of BRAC MILCON budget data. The specific objectives were to determine whether the proposed projects were valid BRAC requirements, the decision for MILCON was supported with required documentation including an economic analysis, and the economic analysis considered existing facilities. We did not assess the adequacy

of the management control program as part of this audit because it will be discussed in a summary report on FY 1998 Defense BRAC MILCON budget data.

Scope and Methodology

Scope of This Audit. We examined the FY 1998 BRAC MILCON budget request and related documentation from January 1996 through February 1997, regarding the relocation of the FHSO from the Fleet and Industrial Supply Center, Oakland and Naval Supply Annex, Alameda to the Fleet and Industrial Supply Center, Cheatham Annex. We reviewed the supporting documentation for projects P-028 and P-029, valued at \$2.45 million and \$1.45 million, respectively. We did not use computer-processed data or statistical sampling procedures to conduct this audit. See Enclosure 1 for the overall scope of the audit of BRAC MILCON costs.

Audit Period and Standards. This economy and efficiency audit was conducted from January through April 1997 in accordance with the auditing standards issued by the Comptroller General of the United States as implemented by the Inspector General, DoD.

Contacts During the Audit. We visited or contacted individuals and organizations within DoD. Further details are available upon request.

Prior Audits and Other Reviews

Three summary reports have been issued for the audits of BRAC MILCON budget data for FYs 1992 through 1996. The summary reports list individual projects. Since April 1996, numerous additional reports have been issued that discuss Defense BRAC MILCON budget data for FYs 1997 and 1998. Details on the reports are available upon request.

In addition to the above BRAC reports, one Inspector General, DoD, report discusses the medical facility requirements for the Stockton Fleet Hospital Prepositioning Facility in California. The report is summarized below.

Inspector General, DoD, Report No. 93-047, "Medical Facility Requirement-Stockton Fleet Hospital Prepositioning Facility," January 28, 1993. The report stated that the Office of the Assistant Secretary of Defense (Health Affairs) was planning to construct a deployable medical system pre-positioning warehouse and support facilities in Stockton, California, that were not needed. The report determined that the project was not required and the Navy had not performed an economic analysis nor were the deployable medical system readiness requirements adequately validated. The report recommended that the planned project be deferred pending the results of the economic analysis, to include readiness requirements. Management concurred with the audit recommendations.

Audit Background

A fleet hospital is a containerized deployable medical system, including civil engineering support equipment such as ambulances; buses; generators; and trucks, that are assembled into a 500-bed hospital. FHSO is responsible for storing 10 500-bed fleet hospitals in pre-positioned locations overseas and afloat, as well as designing; procuring; and rebuilding the hospitals as part of the service life extension program for fleet hospitals. The Navy program for extending the service life of the fleet hospitals requires the unpacking of medical containers, storing short-term materials, incorporating new materials, repacking containers, and shipping the fleet hospitals to and from pre-positioned sites on board a U.S. flag vessel chartered through the Military Sealift Command. The Navy maintains readiness for 10 pre-positioned fleet hospitals by requiring the FHSO to service two hospitals a year over a 5-year schedule.

The FHSO, headquartered at the Alameda Federal Center in Alameda, performs service life extension operations at three locations in the San Francisco Bay Area: the Fleet and Industrial Supply Center, Oakland; the Navy Supply Annex, Alameda; and the Naval Communication Station, Stockton, California. FHSO was required to relocate its operations based on the 1995 Commission on Base Closure and Realignment recommendation to close the Fleet and Industrial Supply Center, Oakland and its satellite locations. FHSO identified the Fleet and Industrial Supply Center, Cheatham Annex; the Construction Battalion Center, Port Hueneme, California; and the Naval Communication Station Stockton, as candidates for relocation. FHSO selected Cheatham Annex because it was identified as the least costly alternative to meet FHSO operational and BRAC requirements.

Discussion

BRAC MILCON Space Requirements. The FHSO properly justified space requirements for renovation of the warehouse and construction of a cargo staging area at Cheatham Annex. We reviewed DD Form 1391, "FY 1998 Military Construction Project Data," August 30, 1996, and supporting documents for both projects, including the basic facilities requirement and economic analysis. Justification for the projects was based on the space requirements that were needed to service two 500-bed fleet hospitals and on the applicable allowances contained in the Naval Facilities Engineering Command Publication P-80, "Facility Planning Criteria for Navy and Marine Corps Shore Installations."

The FHSO identified a need for 29,729 square meters of warehouse space for project P-028. The need was based on the space required to store civil engineering support equipment and containers and medical materials. FHSO determined that it could satisfy the requirement by renovating an existing warehouse, CAD-30. The decision to renovate CAD-30 rather than construct a new warehouse was supported in the economic analysis. Additionally, FHSO identified a need for 17,700 square meters of cargo staging area for project P-029. The need was based on the space required to temporarily store

incoming and outgoing containers and civil engineering support equipment during the service life extension operations. Existing facilities for a cargo staging area were not a viable option at Cheatham Annex.

BRAC MILCON Cost Requirements. The Naval Facilities Engineering Command, Engineering Field Activity West, San Bruno, California, contracted with Dames and Moore, Phoenix, Arizona, to develop the renovation and construction estimates for projects P-028 and P-029. The contractor developed the cost estimate for renovating warehouse CAD-30 based on the Navy annual inspection summary and industry standard construction cost data. The cost for constructing the cargo staging area was developed using the Military Handbook 1010A, "Cost Engineering: Policy and Procedures," August 1, 1992. We verified the accuracy of the costs to source documentation and determined that they were reasonable.

Other Matters of Interest

After completion of our audit, we learned that Navy personnel at Cheatham Annex advised the FHSO that about 36,000 square feet (11 percent of the BRAC project requirement) of CAD-30 may not be available as planned. This portion of the BRAC project storage requirements planned for CAD-30 will be accommodated in warehouse 10 at Cheatham Annex. Our audit validated only the costs associated with the use of CAD-30.

Management Comments

We provided a draft of this report to you on May 15, 1997. Because the report contains no findings or recommendations, written comments were not required, and none were received. Therefore, we are publishing this report in final form.

We appreciate the courtesies extended to the audit staff. If you have any questions on this report, please contact Mr. Michael A. Joseph, Audit Program Director, or Mr. Michael F. Yourey, Audit Project Manager, at (757) 766-2703. See Enclosure 2 for the report distribution. The audit team members are listed inside the back cover.

David K. Steensma
David K. Steensma
Deputy Assistant Inspector General
for Auditing

Enclosures

Background of Defense Base Realignment and Closure

Commission on Defense Base Closure and Realignment. On May 3, 1988, the Secretary of Defense chartered the Commission on Defense Base Closure and Realignment (the Commission) to recommend military installations for realignment and closure. Congress passed Public Law 100-526, "Defense Authorization Amendments and Base Closure and Realignment Act," October 24, 1988, which enacted the Commission's recommendations. The law also established the Defense Base Closure Account to fund any necessary facility renovation or MILCON projects associated with BRAC. Public Law 101-510, "Defense Base Closure and Realignment Act of 1990," November 5, 1990, reestablished the Commission. The law also chartered the Commission to meet during calendar years 1991, 1993, and 1995 to verify that the process for realigning and closing military installations was timely and independent. In addition, the law stipulates that realignment and closure actions must be completed within 6 years after the President transmits the recommendations to Congress.

Required Defense Reviews of BRAC Estimates. Public Law 102-190, "National Defense Authorization Act for Fiscal Years 1992 and 1993," December 5, 1991, states that the Secretary of Defense shall ensure that the authorization amount that DoD requested for each MILCON project associated with BRAC actions does not exceed the original estimated cost provided to the Commission. Public Law 102-190 also states that the Inspector General, DoD, must evaluate significant increases in BRAC MILCON project costs over the estimated costs provided to the Commission and send a report to the congressional Defense committees.

Military Department BRAC Cost-Estimating Process. To develop cost estimates for the Commission, the Military Departments used the Cost of Base Realignment Actions computer model. The Cost of Base Realignment Actions computer model uses standard cost factors to convert the suggested BRAC options into dollar values to provide a way to compare the different options. After the President and Congress approve the BRAC actions, DoD realigning activity officials prepare a DD Form 1391, for each individual MILCON project required to accomplish the realigning actions. The Cost of Base Realignment Actions computer model provides cost estimates as a realignment and closure package for a particular realigning or closing base. The DD Form 1391 provides specific cost estimates for an individual BRAC MILCON project.

Background of Defense Base Realignment and Closure

Limitations and Expansion to Overall Audit Scope. Because the Cost of Base Realignment Actions computer model develops cost estimates as a BRAC package and not for individual BRAC MILCON projects, we were unable to determine the amount of cost increases for each individual BRAC MILCON project. Additionally, because of prior audit efforts that determined potential problems with all BRAC MILCON projects, our audit objectives included all large BRAC MILCON projects.

Overall Audit Selection Process. We reviewed the FY 1998 BRAC MILCON \$354.3 million budget submitted by the Military Departments and the Defense Logistics Agency. We excluded projects that were previously reviewed by DoD audit organizations. We grouped the remaining BRAC MILCON projects by location and selected groups of projects that totaled at least \$1 million for each group. We also reviewed those FY 1997 BRAC MILCON projects that were not included in the previous FY 1997 budget submission, but were added as part of the FY 1998 BRAC MILCON budget package.

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Audit Team Members

This report was prepared by the Logistics Support Directorate, Office of the Assistant Inspector General for Auditing, DoD.

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